

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 EUR-25 ISO-00 SPC-03 AID-20 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 L-03 H-03 PA-03 PRS-01 USIA-15 DRC-01

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R 031401Z OCT 73

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 0000

INFO AMEMBASSY SANTIAGO

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PASS TREASURY FOR ASSISTANT SECRETARY HENNESSY

E.O. 11652: N/A

TAGS: EFIN, CHI

SUBJECT: CHILEAN CONSULTATIONS WITH PARIS CLUB CHAIRMAN

1. SUMMARY: PARIS CLUB CHAIRMAN NEBOT HAS RECEIVED VISIT FROM CHILEAN DELEGATION RE PROSPECTS FOR RESUMPTION NEGOTIATIONS ON DEBT RESCHEDULING. MAKING CLEAR HIS COMMENTS WERE PERSONAL AND PRELIMINARY, HE TOLD CHILEANS FIRST PRIORITY WAS TO WORK OUT EFFECTIVE STABILIZATION PROGRAM. ASSUMING CURRENT CHILEAN NEGOTIATIONS WITH IMF FOR STANDBY MOVED ALONG SATISFACTORILY, IT SHOULD BE POSSIBLE FOR PARIS CLUB MEETING SOMETIME IN JANUARY ON DEBT RESCHEDULING, IF THAT DATE SATISFACTORY TO CLUB MEMBERS. NEBOT HAS EXPRESSED HOPE TO EMBASSY THAT THERE WILL BE ENOUGH PROGRESS ON U.S. PROBLEMS RE DEBT REPUDIATION AND COMPENSATION FOR NATIONALIZED PROPERTIES SO AS NOT TO BLOCK RESCHEDULING NEGOTIATIONS. HE FEELS IT IS IMPORTANT THAT NEXT CLUB MEETING REACH AGREEMENT COVERING NOT ONLY 1973 DEBTS, BUT THOSE COMING DUE IN 1974 AS WELL. END SUMMARY.

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2. NEBOT, ASSISTANT TREASURY DIRECTOR IN FRENCH FINANCE MINISTRY AND CHAIRMAN OF PARIS CLUB ON CHILEAN DEBT RESCHEDULING, HAS JUST HAD VISIT FROM CHILEAN DELEGATION, HEADED BY CHILEAN CENTRAL BANK GOVERNOR KANO, EN ROUTE BACK TO CHILE FROM NAIROBI MEETINGS. THEIR PURPOSE WAS TO SOUND OUT NEBOT RE PROSPECTS FOR RESUMPTION OF PARIS CLUB NEGOTIATIONS, WITH VIEW TO REACHING AGREEMENT FOR RESCHEDULING CHILEAN DEBS TO CLUB MEMBERS.

3. NEBOT TELLS US DISCUSSION LIMITED LARGELY TO PROCEDURAL QUESTIONS, WITH VERY LITTLE ON SUBSTANCE. HE MADE FOLLOWING POINTS TO CHILEAN DELEGATION:

(A) HIS REMARKS SHOULD BE CONSIDERED AS PERSONAL AND PRELIMINARY, SINCE HE HAD NOT HAD OPPORTUNITY TO TAKE SOUNDINGS WITH OTHER CLUB MEMBERS. INDEED, SOME OF THEM, SUCH AS GERMANY AND DENMARK, DID NOT RECOGNIZE NEW CHILEAN REGIME.

(B) FROM VIEW POINT OF GETTING DEBT RESCHEDULING AGREEMENT WITH PARIS CLUB, FIRST PRIORITY WAS FOR CHILE TO ELABORATE AND PUT INTO EFFECT STABILIZATION PLAN THAT WOULD REDRESS CHILEAN ECONOMY.

(C) WHEN STABILIZATION PLAN, TOGETHER WITH IMF APPRAISAL, WAS READY, CLUB COULD FIND DATE FOR MEETING TO EXAMINE DEBT RESCHEDULING POSSIBILITIES. CHILE HAD ALREADY APPLIED TO FUND FOR STANDBY, AND FUND MISSION WAS SCHEDULED TO GO TO CHILE IN NOVEMBER. THUS IF STANDBY WAS AGREED, IT SHOULD BE POSSIBLE FOR PARIS CLUB TO MEET SOMETIME IN JANUARY. THIS TIMETABLE, OF COURSE, SUBJECT TO AGREEMENT OF OTHER CLUB MEMBERS.

(D) ON QUESTION OF DEBT RESCHEDULING AGREEMENT WITHOUT STANDBY, THERE WOULD HAVE TO BE, AS PROVIDED IN PREVIOUS UNDERSTANDINGS, AND PARTICULARLY MEMORANDUM OF AGREEMENT OF JULY 13, 1973, STABILIZATION PROGRAM FULLY COMMENSURATE WITH ONE THAT WOULD BE REQUIRED FOR STANDBY, AS WELL AS FUND ASSESSMENT OF THE ALTERNATIVE. (NEBOT THOUGHT THIS CONTINGENCY WOULD NOT ARISE, SINCE NEW CHILEAN GOVERNMENT WAS READY, INDEED ANXIOUS, TO REACH STANDBY AGREEMENT WITH IMF.)

(E) TOUCHING ON SUBSTANCE, NEBOT UNDERLINED THAT REQUEST BY LIMITED OFFICIAL USE

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PREVIOUS CHILEAN GOVERNMENT FOR RESCHEDULING OF 95 PERCENT OF PRINCIPAL AND INTEREST WAS UNREALISTIC, AND CHILEANS SHOULD DEFINITELY NOT COUNT ON CLUB'S AGREEING TO ANYTHING LIKE THAT FIGURE.

4. ACCORDING TO NEBOT, CHILEANS WERE QUITE PLEASED WITH WHAT HE TOLD THEM AND SEEMED SATISFIED WITH TENTATIVE TIMETABLE THAT ENVISAGED PARIS CLUB MEETING IN JANUARY, ASSUMING, OF COURSE,

THAT THEY COULD WORK OUT STANDBY WITH FUND IN GOOD TIME.

5. TWO FURTHER POINTS AROSE IN EMBASSY'S DISCUSSION WITH NEBOT:

(A) NEBOT EXPRESSED VVIEW THAT NY RESCHEDULING AGREEMENT WORKED OUT AT A MEETING IN JANUARY SHOULD COVER BOTH 1973 AND 1974. HE INDICATED HIS FEELING THAT IN NEGOTIATIONS WITH PREVIOUS CHILEAN AUTHORITIES CLUB HAD ALREADY REACHED VIEW THAT NEXT AGREEMENT SHOULD BE FOR TWO YEARS.

(B) HE WONDERED OW U.S PROBLEMS RE DEBT REPUDICATION AND COMPENSATION FOR NATIONALIZED PROPERTIES FITTED INTO NEW PICTURE. IF, AS COULD WELL BE THE CASE, THESE MATTERS HAD NOT BEEN SETTLED TO U.S. SATISFACTION BY TIME OF PARIS CLUB MEETING, HE THOUGHT BEST TECHNIQUE WOULD PROBABLY BE TO TAKE INTO NEW AGREEMENT, EITHER TEXTURALLY OR BY REFEECEN PARA-GRAPH 4 OF 1972 AGREEMENT. IN ANY CASE, NEBOT HOPED THERE WOULD BE ENOUGH PROGRESS ON THIS MATTE SO AS NOT TO BLOCK NEW DEBT RESCHEDULING ARRANGEMENT.

6. FINALLY, NEBOT EMPHASIZED HIS VIEW THAT IT WAS IMPERATIVE NEXT MEETING OF PARIS CLUB REACH AGREEMENT ON RESCHEDULING. THIS POINT WAS UNDERScoreD BY FACT THAT NEW CHILEAN GOVERNMENT HAD NOT BEEN ACCORDED WARMEST RECEPTION BY PUBLIC OPINION IN MANY PARTS OF WORLD. THUS, ANY MEETING OF PARIS CLUB THAT DID NOT LEAD TO RESCHEDULING AGREEMENT WOULD INEVITABLY, IF ERRONEOUSLY, BE READ AS POLITICAL SANCTION AGAINST CHILE. ACCORDINGLY, MEETING SHOULD NOT BE SCHEDULED UNTIL IT WAS CLEAR THAT ECONOMIC AND TECHNICAL CONDITIONS WARRANTING RESCHEDULING WERE IN PROSPECT.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PERSONAL OPINION, DEBT REPAYMENTS, DEBT AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 OCT 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: willialc
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973PARIS25844
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731053/aaaabnfc.tel
Line Count: 146
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: willialc
Review Comment: n/a
Review Content Flags:
Review Date: 22 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22-Aug-2001 by kelleyw0>; APPROVED <20-Nov-2001 by willialc>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CHILEAN CONSULTATIONS WITH PARIS CLUB CHAIRMAN
TAGS: EFIN, CI, IMF, PARIS CLUB, (NEBOT)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005